

Often the debts for which these workers are garnisheed were incurred through deceptive selling tactics as evidenced both by examination of specific cases and because a high percentage of garnishees are filed each year by the same sellers and finance companies in various cities, such as Chicago, Detroit, etc.

Even when families do not reach the bankruptcy or garnishment stage, the habitual installment buying indulged in by about half of all families, causes a steady erosion of family income.

In the ten years from the mid-1950's to the 60's, the country's population increased 18 per cent and disposable income rose 59 per cent. But installment debts jumped 130 per cent. Not only are American families buying more goods on credit, including small items traditionally bought for cash, but they are paying high finance rates and taking longer to pay. A family that usually carries \$2000 of installment debts very likely pays in the neighborhood of \$300 a year in finance charges, or a total of about \$9,000 over its major buying years. This family, if it is carrying a \$16,000-\$17,000 mortgage on its home at 6 per cent for 30 years, will pay an additional \$20,000 just in interest fees on the mortgage. Altogether a typical wage-earner today works four or five years of his life just to pay interest fees on installment debts and mortgages.

I want to address myself particularly to two sections of the bill—the inclusion of revolving credit in the requirement that true annual interest rates be disclosed, and the prohibition on garnishment of wages.

There is real danger in omitting revolving credit from coverage. It is true that revolving credit represents only 5 per cent of all consumer credit. But it is the fastest-growing kind.

Sears Roebuck, one of the earlier and most active promoters of revolving credit, now does approximately as much business on revolving credit as on the traditional installment contracts. Sears now sells almost \$4 billion worth of goods on credit (about 58 per cent of all its sales). About 40 per cent is for "soft goods" like clothing and domestic textiles which families traditionally bought for cash, but now often buy in revolving credit.

Spiegel's, a mail-order house owned by Beneficial Finance Company, actually does 90 per cent of its business on various types of credit plans including revolving credit.

Too, even though the Senate bill provides some safeguards against conversion of installment accounts to revolving accounts, more retailers are expected to shift over to revolving credit if they don't have to tell the true interest rates. The president of one retail furniture merchandising group already has advised his stores to set up revolving plans in view of the passage of truth-in-lending laws in several states, and the proposed federal law.

Some of America's largest merchandisers and manufacturers in effect have become combination stores and finance companies, including many who until a few years ago sold very little on credit.

Sears, Montgomery Ward, Penney's (traditionally a cash store and the last large holdout from credit), W. T. Grant, City Stores, Alden's, Gamble-Skogmo, and other large chains and catalog houses, now all own their own finance companies.

In reverse, some loan companies have been buying control of chains of stores which generate credit accounts for them. Beneficial Finance Co. now owns Western Auto Supply Stores as well as Spiegel's. Household Finance Company now owns the White Stores, Coast-to-Coast Stores, Ben Franklin stores and the Colby Furniture stores in Illinois—a total of over 4500 stores.

Most of these large retailers now are promoting revolving credit especially hard. Montgomery Ward, for example, devotes more than twice as much space in its catalog to its revolving credit plan than to its three traditional installment plans put together. I have no breakdown on the proportion of its credit business. Ward now does through revolving credit, but Ward now makes 47 per cent of all its sales on credit even though it was a relatively late starter in pushing revolving credit. Even a variety chain like W. T. Grant which has broadened into a junior department store type of operation now does 25 per cent of its business on credit, especially pushing a type of revolving credit called coupon books for small purchases. The true annual rate on coupon books—which you spend like cash in the store—can amount to as much as 31 per cent for the smaller denominations.

You almost have to specify that you don't want to use a fee-charging revolving credit account when you seek to open an ordinary charge account these days.